

Message Text

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ACTION IO-13

INFO OCT-01 EUR-12 ISO-00 AF-08 ARA-06 EA-07 NEA-10 EB-08
AID-05 INT-05 L-03 CIAE-00 INR-07 NSAE-00 SIL-01
LAB-04 COME-00 TRSE-00 STR-04 FEA-01 /095 W
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FM AMEMBASSY VIENNA
TO SECSTATE WASHDC 0875
INFO USMISSION USUN NEW YORK
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USEC BRUSSELS 3429

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EO 11652: NA
TAGS: PFOR, OCON, UNIDO, EMIN
SUBJECT: CONCLUSION OF FIRST UNIDO CONSULTATION ON IRON AND
STEEL INDUSTRY, VIENNA, FEB 7-11, 1977

SUMMARY- FIRST UNIDO CONSULTATION ON IRON AND STEEL
INDUSTRY ENDED FEB 11 WITH ADOPTION OF REPORT. CONSUL-
TATION TOOK PLACE IN LOW KEY ATMOSPHERE AND WAS RELATIVELY
FREE OF POLEMICS. US AND GROUP B (WESTERN COUNTRIES)
SUCCEEDED IN INCLUDING MOST OF THEIR POINTS OF MAJOR
IMPORTANCE IN FINAL REPORT, GIVING IT REASONABLE BALANCE.
REFERENCE TO POSSIBLE PERCENTAGE SHARE OF STEEL PRODUCTION
TO BE ACHIEVED BY DEVELOPING COUNTRIES BY YEAR 2000 WORRI-
SOME TO VARIOUS GROUP B PARTICIPANTS, BUT COUCHED IN
TENTATIVE TERMS. HOWEVER, AS IN CASE OF FERTILIZER REPORT,
DRIVE FOR CONSENSUS ON VARIOUS POINTS DEEMED MORE IMPORTANT
THAN CAREFUL RELECTION OF DIFFERING VIEWPOINTS. REPORT
ALSO FOLLOWS EXAMPLE OF FERTILIZER CONSULTATION IN REQUESTING
UNIDO UNDERTAKE SUBSTANTIAL PROGRAM OF WORK IN PREPARA-
TION FOR EVENTUAL SECOND CONSULTATION ON IRON AND STEEL INDUSTRY
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OPENED FEB. 7 WITH ELECTION BY PREARRANGEMENT OF REZA AMIN
(IRAN) AS CHAIRMAN. FOLLOWING PATTERN OF FERTILIZER CON-
SULTATION, FOUR VICE-CHAIRMAN WERE ELECTED ALONG EGIONAL
LINES; HEWLETT (UK), BARBIS (PERU), DJEBALI (TUNISIA) AND
MIKSA (CZECHOSLOVAKIA). POTENTIAL PROBLEM OF ADOPTION OF
RULES OF PROCEDURE WAS SIDE-STEPPED BY AMIN, WHO SUGGESTED,
WITH APPROVAL OF PARTICIPANTS, THAT MEETING PROCEED WITHOUT

FORMAL RULES. AGENDA AS ADOPTED CONSISTED OF THREE PRIORITY ITEMS IDENTIFIED BY EXPERT PREPARATORY COMMITTEE; TROUBLESOME SECRETARIAT PAPER ID/WG.243/3 WAS ALMOST ENTIRELY IGNORED AFTER BUREAU DECIDED THAT REPORT OF CONSULTATION WOULD BE IN NARRATIVE FORM. REPORT DEALS WITH AGENDA ITEMS AND SUB-ITEMS BY CHAPTER FORMAT, CHAPTER I BEING DEVOTED TO PROCEDURAL MATTERS.

2. CHAPTER II- THE LONG-TERM EXPANSION OF WORLD STEEL PRODUCTION AND THE GROWING SHARE IN IT OF LDC'S: AFTER CONSIDERABLE DISCUSSION OF THE PERILS OF ATTEMPTING LONG-RANGE PRODUCTION FORECASTS FOR THE STEEL INDUSTRY, OF THE NECESSITY OF GEARING NEW CAPACITY TO MARKET GROWTH AND OF ASSURING THAT NEW STEEL PROJECTS ARE FIRMLY BASED ON PROSPECTS OF ECONOMIC VIABILITY (THE LAST POINT SHARPLY DISPUTED BY ALGERIA), THE MEETING AGREED WITHOUT MAJOR OBJECTION BY PARTICIPANTS THAT THE ORDER OF MAGNITUDE OF WORLD DEMAND FOR IRON AND STEEL IN THE YEAR 2000 WAS LIKELY TO BE IN THE RANGE OF 17,750 MILLION MT; THAT LDC'S WOULD NEED MAJOR EXPANSION OF IRON AND STEEL INDUSTRIES AND THAT THEIR SHARE OF TOTAL PRODUCTION BY YEAR 2000 MIGHT BE AS HIGH AS 30 PERCENT; AND THAT ESTABLISHMENT OF SUCH INDUSTRIES IN LDC'S SHOULD BE ENCOURAGED AND SUPPORTED. THE MEETING RECOMMENDED THAT THE UNIDO SECRETARIAT PROMOTE A CONTINUOUS EXCHANGE OF INFORMATION ON PLANS FOR AND PROGRESS IN EXPANSION OF THE STEEL INDUSTRY IN DC'S AND LDC'S, UNDERTAKE TO IDENTIFY OBSTACLES TO THE DEVELOPMENT OF THE WORLD STEEL INDUSTRY AND SUGGEST WAYS OF OVERCOMING THEM, AND SUBMIT A PROGRESS REPORT TO THE NEXT CONSULTATION MEETING.

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3. CHAPTER III- RAW MATERIALS AND FUELS REQUIRED FOR EXPANSION OF THE STEEL INDUSTRY: THE MEETING RECOGNIZED THAT WORLD IRON ORE RESERVES WERE FULLY SUFFICIENT TO SUPPLY NEEDS AND CONCENTRATED ON DISCUSSION OF MEANS TO DEVELOP THOSE RESERVES, INCLUDING JOINT VENTURES, DIRECT PARTICIPATION BY THE CONSUMING ENTERPRISE AND LONG-TERM SUPPLY CONTRACTS; IT RECOGNIZED THAT PRICES WERE SUBJECT TO COMMERCIAL NEGOTIATIONS AND WERE SPECIFIC TO EACH OPERATION (U.S. PARTICIPANTS DEMURRED FROM DISCUSSIONS OF PRICES CITING INTERNAL U.S. LEGAL PROSCRIPTIONS.) PARTICIPANTS ACKNOWLEDGED, HOWEVER, THAT LIMITED KNOWN DISTRIBUTION AND RESERVES OF COKING COAL WAS CONSTRAINT TO INDUSTRY EXPANSION AND THAT PROVISION OF INCREASED SUPPLIES OF COKING COAL AND DEVELOPMENT OF ALTERNATIVE FUELS AND PROCESSES SHOULD BE A PRIORITY MATTER FOR CONSIDERATION BY AN EXPERT WORKING GROUP. THE MEETING RECOMMENDED THAT UNIDO STUDY THE FOLLOWING TOPICS WITH A VIEW TO MAKING SPECIFIC PROPOSALS FOR INTERNATIONAL COOPERATION AT THE NEXT CONSULTATION MEETING:

(A) ASSESSMENT OF WORLD IRON ORE RESOURCES, INCLUDING QUANTITY AND QUALITY.

(B) REVIEW OF KNOWN RESOURCES OF COKING COAL AND PROBABLE ADDITIONAL RESOURCES.

(C) REVIEW OF WORLDWIDE PLANS TO INCREASE SUPPLIES OF THOSE RAW MATERIALS AND WHETHER OR NOT APPROPRIATE MEASURES WERE BEING TAKEN TO ASSURE ADEQUATE SUPPLIES.

(D) A SURVEY OF INVESTMENT COSTS OF EXISTING ORE SOURCES IN ORDER TO JUDGE MAGNITUDE OF INVESTMENT NECESSARY FOR LONG-TERM EXPANSION, WITH VIEW TO EXAMINING WHAT RATE OF RETURN ON INVESTMENT WOULD BE REQUIRED TO MAKE INVESTMENT VIABLE.

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(E) SURVEY OF ALTERNATE TECHNIQUES TO REPLCE USE OF COKING COAL.

THE MEETING RECOMMENDED THAT EXPERT WORKING GROUPS BE ESTABLISHED TO EXAMINE THESE TOPICS.

4. CHAPTER IV- TECHNOLOGY REQUIRED FOR STEEL INDUSTRY IN LDC'S: MEETING RECOGNIZED THAT ELEMENTS OF TECHNOLOGY

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REQUIRED FOR INDIVIDUAL LDC WOULD DEPEND ON SPECIFIC PROJECT NEEDS, AND THAT TRANSFER OF TECHNOLOGY IS COMPLEX PROCESS REQUIRING LONG-TERM EFFORTS; THAT THE DEVELOPED COUNTRIES HAD MADE MAJOR CONTRIBUTION TO DEVELOPMENT OF STEEL INDUSTRY IN LDC'S AND SHOULD BE ENCOURAGED TO INCREASE THEIR EFFORTS. THE MEETING RECOMMENDED THAT UNIDO:

(A) PROMOTE REGULAR EXCHANGE OF INFORMATION AMONG RESEARCH AND DEVELOPMENT INSTITUTIONS.

(B) EXAMINE POSSIBILITY OF ESTABLISHING AN INTERNATIONAL TECHNICAL AND DEVELOPMENT CENTER FOR USE BY LDC'S.

(C) PROMOTE REGIONAL FOCUS FOR INDUSTRY EXPANSION PLANS.

(D) ASSIST LDC'S IN ESTABLISHING METALLURGICAL CENTERS AND LABORATORIES.

(E) PURSUE STUDY OF CONTRACT PROCEDURES AND GUARANTEES FOR PLANT CONSTRUCTION AND OPERATION AND OF SPECIFIC LIMITED OFFICIAL USE

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SOLUTIONS TO TRAINING PROBLEMS.

(F) CONVENE A SEPARATE CONSULTATION ON PRODUCTION OF CAPITAL GOODS.

5. CHAPTER V - FINANCING REQUIREMENTS: THIS WAS MOST HOTLY DEBATED ELEMENT IN THE REPORT, WITH DISAGREEMENT CENTERING ON WHETHER OR NOT SOME SPECIAL INTERNATIONAL ARRANGEMENTS OR PROCEDURES SHOULD BE INSTITUTED TO PUMP RESOURCES INTO DEVELOPMENT OF STEEL INDUSTRY, WHICH U.S. AND OTHER PARTICIPANTS STRONGLY OPPOSED. SOVIET BLOC REPS ALSO ATTEMPTED INSERT THEIR FAMILIAR LANGUAGE ON STRENGTHENING OF STATE SECTOR IN LDC'S AND ON NATIONAL SOVEREIGNTY OVER NATURAL RESOURCES. THEY DID NOT SUCCEED. RESULT OF DEBATE WAS TO LIMIT THIS CHAPTER TO STATEMENT THAT FINANCING NEEDS REPRESENT MAJOR CONSTRAINT TO EXPANSION OF IRON AND STEEL INDUSTRY AND TO A RECOMMENDATION THAT UNIDO CONVENE A WORKING GROUP TO CONSIDER:

(A) PROBLEMS FACED BY LDC'S IN RAISING EXTERNAL AND INTERNAL FUNDS.

(B) SUITABILITY OF TERMS FOR EXTERNAL FINANCING TO LDC'S.

(C) NATURE AND CONTENT OF GUARANTEES THAT SHOULD BE PROVIDED IN ORDER ATTRACT INVESTMENT TO LDC'S.

(D) MEANS BY WHICH UNIDO COULD ASSIST LDC'S IN PREPARING PROJECTS AND ARRANGING FINANCING.

6. CHAPTER VI - FOLLOWUP: MEETING RECOMMENDED THAT WORKING GROUPS (NUMBER UNSPECIFIED) BE CONSTITUTED TO EXAMINE MATTERS OF INTEREST IDENTIFIED DURING DISCUSSION, AND THAT THOSE WORKING GROUPS SHOULD TAKE INTO ACCOUNT: (A) THE IMPORTANCE OF REGIONAL COOPERATION AMONG LDC'S AND (B) THE SOCIAL ASPECTS OF AND THE INTERESTS OF LABOR IN THE PLANNING AND IMPLEMENTED OFFICIAL USE

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TATION OF PROJECTS IN THE LDC'S. THE MEETING RECOGNIZED THAT IT WOULD BE NECESSARY TO ESTABLISH AN ORDER OF PRIORITY FOR CONSIDERING THE VARIOUS TOPICS IT HAD IDENTIFIED IF USEFUL WORK WERE TO BE ACCOMPLISHED BEFORE THE SECOND CONSULTATION MEETING ON IRON AND STEEL, WHICH IT RECOMMENDED THAT UNIDO CONVENE DURING 1978. THE MEETING REQUESTED THAT ITS REPORT BE CIRCULATED TO ALL INTERESTED PARTIES, INCLUDING UNIDO'S INDUSTRIAL DEVELOPMENT BOARD (IDB) FOR CONSIDERATION OF ITS RECOMMENDATIONS.

7. COMMENT - THE FIRST CONSULTATION MEETING ON IRON AND STEEL TOOK PLACE IN A LOW-KEY ATMOSPHERE THAT WAS ENCOURAGED BY THE RATHER GENTLE MANNER OF THE CHAIRMAN. ADDRESSES OF A POLEMIC NATURE WERE FEW AND GENERALLY UNPRODUCTIVE OF SUPPORTING RESPONSES; SEVERAL LDC PARTICIPANTS GAVE CREDIT TO PRIVATE ENTERPRISE IN DEVELOPED COUNTRIES FOR THEIR EFFORTS TO COOPERATE WITH LDC'S IN ESTABLISHMENT OF IRON AND STEEL INDUSTRIES. MEETING WAS MARKED BY A TENDENCY ON BOTH SIDES TO AVOID DEBATING ISSUES IN TERMS OF SHARPLY-DEFINED NORTH-SOUTH DIFFERENCES. THE PHYSICAL AND PROCEDURAL ARRANGEMENTS FOR THE MEETING WERE GENERALLY SATISFACTORY, ALTHOUGH THE PROBLEMS OF ARRANGING FOR A REPORT THAT FULLY REPRESENTS DIVERGENT VIEWS, AND OF FINDING A SATISFACTORY MECHANISM FOR DRAFTING THAT REPORT, REQUIRE FURTHER CONSIDERATION. U.S. INDUSTRY PARTICIPANTS REGARDED THE TECHNICAL AND ECONOMIC/FINANCIAL DISCUSSIONS AS BEING EXTREMELY SUPERFICIAL AND NOT PARTICULARLY HELPFUL IN DEVELOPING DEEPER UNDERSTANDING OF PROBLEMS OF THE INDUSTRY. THEY BELIEVED THAT MANY OF THE REQUESTS MADE OF UNIDO FOR FURTHER STUDIES WERE OF DOUBTFUL UTILITY OR PURPOSE; IN THIS INSTANCE, HOWEVER, US INDUSTRY PARTICIPANTS WERE QUITE EFFECTIVE IN AMENDING OR RE-DIRECTING SEVERAL OF THE RECOMMENDATIONS TOWARD MORE USEFUL OR REALISTIC GOALS. IN SUM, ALTHOUGH MEETING WAS OF LITTLE SUBSTANTIVE INTEREST TO U.S. INDUSTRY PARTICIPANTS, IT DOES NOT APPEAR TO HAVE

REACHED CONCLUSIONS AT VARIANCE WITH BOARD U.S. INTERESTS.
SPECIFIC RECOMMENDATIONS FOR UNIDO ACTION RESULTING FROM
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THE MEETING WILL, OF COURSE, COME BEFORE THE MAY 1977 MEETING
OF THE IDB (IDB-XI) FOR DEBATE AND INSTRUCTION TO THE SEC-
RETARIAT (U.S. AND OTHER DC PARTICIPANTS ENSURED THAT CON-
SULTATION MEETING WAS WELL AWARE OF THAT LIMIT TO ITS AUTHORITY);
US DEL TO IDB WILL HAVE OPPORTUNITY MAKE KNOWN USG VIEWS ON
THOSE RECOMMENDATIONS AND SHOULD RECEIVE ADEQUATE INSTRUCTIONS
TO PERMIT US DEL WEIGH IN FORCEFULLY.

8. GIVEN EXPERIENCE OF FERTILIZER AND IRON AND STEEL MEETINGS,
QUESTION OF STATUS AND COMPOSITION OF U.S. PARTICIPATION IN
UNIDO SECTORAL CONSULTATIONS, ALONG WITH OTHER GENERAL PRO-
CEDURAL ASPECTS, WILL REQUIRE ATTENTION IN PREPARATION FOR
IDB-XI AS DISCUSSED DURING STIBRAVY TDY IN DEPARTMENT LAST
WEEK. STIBRAVY

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Message Attributes

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Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3258534
Secure: OPEN
Status: NATIVE
Subject: CONCLUSION OF FIRST UNIDO CONSULTATION ON IRON AND STEEL INDUSTRY, VIENNA, FEB 7-11, 1977 SUMMARY- FIRST UNIDO CONSULTATION ON IRON AND STEEL
TAGS: PFOR, OCON, EMIN, UNIDO
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/8fd460c3-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009